

SCHOOLCRAFT TOWNSHIP, MICHIGAN
Houghton County

FINANCIAL REPORT

Year Ended March 31, 2008

SCHOOLCRAFT TOWNSHIP, MICHIGAN
FINANCIAL REPORT
Year Ended March 31, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Schoolcraft Township, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Schoolcraft Township, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Schoolcraft Township, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note I C, Schoolcraft Township, Michigan prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund and the aggregate remaining fund information of Schoolcraft Township, Michigan, as of March 31, 2008, and the respective changes in financial position – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note I C.

The budgetary comparison information on pages 20 through 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it. Schoolcraft Township, Michigan has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Schoolcraft Township, Michigan's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Jackie A. Aalto".

Jackie A. Aalto, CPA

September 19, 2008

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Statement of Net Assets – Modified Cash Basis

March 31, 2008

	<u>Governmental Activities</u>
Assets	
Cash	\$ 196,856
Investments	153,917
Capital assets not being depreciated	443,210
Capital assets being depreciated, net	<u>74,164</u>
 Total Assets	 <u>868,147</u>
 Liabilities	
Intergovernmental payable	<u>470</u>
 Net Assets	
Invested in capital assets, net of related debt	517,374
Restricted for perpetual care	154,056
Unrestricted	<u>196,247</u>
 Total Net Assets	 <u><u>\$ 867,677</u></u>

The notes to the financial statements are an integral part of this statement.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Statement of Activities – Modified Cash Basis

Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
General government	\$ 87,380	\$ 12,021	\$ 445	\$	\$ (74,914)
Public safety	5,114		385		(4,729)
Public works	61,161	58,041	2,491		(629)
Recreation & culture	6,743				(6,743)
Cemetery	<u>21,187</u>	<u>15,177</u>	<u> </u>	<u> </u>	<u>(6,010)</u>
Total governmental activities	<u>\$ 181,585</u>	<u>\$ 85,239</u>	<u>\$ 3,321</u>	<u>\$</u>	<u>(93,025)</u>
General revenues:					
Property taxes					44,110
State shared revenues					53,802
Investment earnings					19,107
Contributions to permanent fund principal					<u>666</u>
Total general revenues					<u>117,685</u>
Change in net assets					24,660
Net Assets – Beginning					<u>843,017</u>
Net Assets – Ending					<u>\$ 867,677</u>

The notes to the financial statements are an integral part of this statement.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Balance Sheet – Modified Cash Basis Governmental Funds

March 31, 2008

	<u>General</u>	<u>Cemetery Operating</u>	<u>Garbage Receiving</u>	<u>Cemetery Perpetual Care Trust</u>	<u>Nonmajor Governmental Fund Liquor</u>	<u>Total Governmental Funds</u>
Assets						
Cash	\$ 111,318	\$ 5,616	\$ 65,418	\$ 14,268	\$ 236	\$ 196,856
Investments	5,493	7,080		141,344		153,917
Due from other funds	<u> </u>	<u>1,556</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,556</u>
Total Assets	<u>\$ 116,811</u>	<u>\$ 14,252</u>	<u>\$ 65,418</u>	<u>\$ 155,612</u>	<u>\$ 236</u>	<u>\$ 352,329</u>
Liabilities and Fund Balances						
Liabilities						
Intergovernmental payable	\$ 470	\$	\$	\$	\$	\$ 470
Due to other funds	<u> </u>	<u> </u>	<u> </u>	<u>1,556</u>	<u> </u>	<u>1,556</u>
Total Liabilities	<u>470</u>	<u> </u>	<u> </u>	<u>1,556</u>	<u> </u>	<u>2,026</u>
Fund Balances						
Reserved for:						
Building	2,677					2,677
Parks & recreation	2,816					2,816
Perpetual care				154,056		154,056
Unreserved, undesignated reported in:						
General fund	110,848					110,848
Special revenue funds	<u> </u>	<u>14,252</u>	<u>65,418</u>	<u> </u>	<u>236</u>	<u>79,906</u>
Total Fund Balances	<u>116,341</u>	<u>14,252</u>	<u>65,418</u>	<u>154,056</u>	<u>236</u>	350,303
Total Liabilities and Fund Balances	<u>\$ 116,811</u>	<u>\$ 14,252</u>	<u>\$ 65,418</u>	<u>\$ 155,612</u>	<u>\$ 236</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>517,374</u>
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Net assets of governmental activities	<u>\$ 867,677</u>
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The notes to the financial statements are an integral part of this statement.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis
Governmental Funds**

Year ended March 31, 2008

	<u>General</u>	<u>Cemetery Operating</u>	<u>Garbage Receiving</u>	<u>Cemetery Perpetual Care Trust</u>	<u>Nonmajor Governmental Fund Liquor</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 44,110	\$	\$	\$	\$	\$ 44,110
Licenses & permits	1,103					1,103
Intergovernmental – State	56,738				385	57,123
Charges for services	8,119	15,177	58,041	666		82,003
Investment earnings	3,498	388	1,876	13,345		19,107
Rent	1,310					1,310
Other	<u>1,489</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,489</u>
Total Revenues	<u>116,367</u>	<u>15,565</u>	<u>59,917</u>	<u>14,011</u>	<u>385</u>	<u>206,245</u>
Expenditures						
Current						
General government	74,816					74,816
Public safety	4,500				614	5,114
Public works	7,013		51,608			58,621
Recreation & culture	4,436					4,436
Cemetery		21,187				21,187
Other	9,063					9,063
Capital outlay	<u> </u>	<u>800</u>	<u> </u>	<u> </u>	<u> </u>	<u>800</u>
Total Expenditures	<u>99,828</u>	<u>21,987</u>	<u>51,608</u>	<u> </u>	<u>614</u>	<u>174,037</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,539</u>	<u>(6,422)</u>	<u>8,309</u>	<u>14,011</u>	<u>(229)</u>	<u>32,208</u>
Other Financing Sources (Uses)						
Transfers in		8,191			250	8,441
Transfers out	<u>(250)</u>	<u> </u>	<u> </u>	<u>(8,191)</u>	<u> </u>	<u>(8,441)</u>
Total Other Financing Sources (Uses)	<u>(250)</u>	<u>8,191</u>	<u> </u>	<u>(8,191)</u>	<u>250</u>	<u> </u>
Net Change in Fund Balances	16,289	1,769	8,309	5,820	21	32,208
Fund Balances – Beginning	<u>100,052</u>	<u>12,483</u>	<u>57,109</u>	<u>148,236</u>	<u>215</u>	
Fund Balances – Ending	<u>\$ 116,341</u>	<u>\$ 14,252</u>	<u>\$ 65,418</u>	<u>\$ 154,056</u>	<u>\$ 236</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(7,548)

Change in net assets of governmental activities

\$ 24,660

The notes to the financial statements are an integral part of this statement.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

**Statement of Net Assets – Modified Cash Basis
Fiduciary Funds**

March 31, 2008

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 9,182</u>
 Liabilities	
Intergovernmental payable	<u>\$ 9,182</u>

The notes to the financial statements are an integral part of this statement.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

I. Summary of Significant Accounting Policies

A. Reporting Entity

Schoolcraft Township, Michigan (“the Township”) was organized in 1866 and is located in Houghton County, Michigan. The Township operates under an elected board of trustees consisting of five members including a supervisor, clerk, treasurer and two trustees. Services provided to the residents include fire protection, solid waste disposal, recreation and community enrichment.

In determining the financial reporting entity, the Township complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. Management has addressed the potential component units (traditionally separate reporting entities) that the Township may be financially accountable and, as such, should be included within the Township’s financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. There are no organizations that meet these criteria.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the fund financial statements are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, and a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for the fiduciary fund type would use the accrual basis of accounting. The government-wide financial statements would be presented on the accrual basis of accounting.

The Township reports the following major governmental fund:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Cemetery Operating Fund* accounts for operations of the Township's cemeteries.

The *Garbage Receiving Fund* accounts for the activities of the Township's solid waste removal operations.

The *Cemetery Perpetual Care Trust Fund* accounts for the sale of perpetual care on cemetery lots, where only the earnings, and not the principal, may be used for cemetery operations.

Additionally, the Township reports the Liquor Fund as a nonmajor governmental fund.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition. The Township has no short-term investments.

Investments classified in the financial statements are stated at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

When applicable, advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

Property taxes are levied on December 1st and are due and payable on or before February 14th of the following calendar year. The Township bills and collects its own taxes. Unpaid delinquent real property taxes are collected by the County. Unpaid personal property taxes are collected by the Township.

The 2007 taxable valuation of the Township totaled \$28,732,539, on which ad valorem taxes levied consisted of 1.2481 mills for operating purposes which resulted in \$35,782. This amount is recorded in the General Fund.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are generally defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. As the Township constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 to 50 years
Land improvements	20 to 40 years
Vehicles and equipment	3 to 25 years

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

5. Use of Estimates

The preparation of financial statements in conformity with the modified basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note II – Stewardship, Compliance, and Accountability

Budgetary Information

The Township is required to follow the budget system provided by Michigan Public Act 621 – Uniform Budgeting and Accounting Act. The budget basis of accounting does not differ significantly from the financial statement presentation used to reflect actual revenues and expenditures. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not employed in governmental funds.

Note III – Detailed Notes on All Funds

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classification which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority. The Township has designated four banks for the deposit of Township funds.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$22,026 of the Township's bank balance of \$212,519 was exposed to custodial credit risk because it was uninsured and uncollateralized.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

As of March 31, 2008, the government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Cost</u>
Government & agency securities – FHLM	\$ 99,560	\$ 100,000
Asset & mortgage backed securities:		
GNMA	22,115	24,231
FLMC	19,669	20,200
Certificates of deposit	<u>12,573</u>	<u>12,573</u>
	<u>\$ 153,917</u>	<u>\$ 157,004</u>

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments. As of March 31, 2008 none of the investments were exposed to custodial credit risk.

B. Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 443,210	\$ _____	\$ _____	\$ 443,210
Capital assets being depreciated:				
Buildings & improvements	49,375			49,375
Land improvements	37,152			37,152
Vehicles & equipment	<u>57,580</u>	<u>800</u>	_____	<u>58,380</u>
Total capital assets being depreciated	<u>144,107</u>	<u>800</u>	_____	<u>144,907</u>
Accumulated depreciation for:				
Building & improvements	(31,862)	(1,225)		(33,087)
Land improvements	(10,708)	(1,497)		(12,205)
Vehicles & equipment	<u>(19,825)</u>	<u>(5,626)</u>	_____	<u>(25,451)</u>
Total accumulated depreciation	<u>(62,395)</u>	<u>(8,348)</u>	_____	<u>(70,743)</u>
Total capital assets being depreciated, net	<u>81,712</u>	<u>(7,548)</u>	_____	<u>74,164</u>
Governmental activities capital assets, net	<u>\$ 524,922</u>	<u>\$ (7,548)</u>	<u>\$ _____</u>	<u>\$ 517,374</u>

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

General government	\$ 3,501
Public works	2,540
Recreation & culture	<u>2,307</u>

Total depreciation expense - governmental activities	<u>\$ 8,348</u>
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C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of March 31, 2008 was as follows:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Cemetery Operating	Cemetery Perpetual Care Trust	<u>\$ 1,556</u>

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Liquor Fund	General Fund	\$ 250
Cemetery Operating Fund	Cemetery Perpetual Care Trust Fund	<u>8,191</u>
		<u>\$ 8,441</u>

Interfund balances represent routine and temporary cash flow assistance until funds are transferred.

IV. Other Information

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and employee injuries (workers' compensation). All risk of loss is covered by commercial insurance. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any, to be immaterial.

C. Employee Retirement

The Township contributes to a defined contribution pension plan in lieu of funding Social Security in accordance with IRS approval.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by the Township, all elected officials are eligible under the plan. Contributions made by an employee or the Township vest 100% immediately. An employee that leaves the employment of the Township is entitled to his or her contributions and the Township's contributions in the form of a retirement benefit that can be provided by his accrued benefit under that given annuity contract. The Township currently contributes 6.2% of wages paid. Participants under the plan voluntarily contribute 6.2% of wages to their respective account.

The Township's pension expense amounted to \$2,681 for the year ended March 31, 2008.

The Township's defined contribution plan held no securities of Schoolcraft Township or other related parties during the year.

D. Jointly Governed Organizations

Schoolcraft/Torch Lake Garbage & Refuse Collection – Schoolcraft Township operates a joint garbage collection venture with Torch Lake Township. The financial information related to this joint venture is reported by Torch Lake Township. Schoolcraft Township reimburses Torch Lake Township for its share of the garbage collection operations, which approximates 29%. These costs are recorded in the Garbage Receiving Fund.

SCHOOLCRAFT TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2008

Torch Lake Area Sewage Authority – The Township in conjunction with the Village of Lake Linden, Osceola Township, Torch Lake Township, and the County of Houghton created the Torch Lake Area Sewage Authority (TLASA). The Authority board has control over its budgeting and financing obligations. The Authority was formed to acquire, own, improve, enlarge, extend and operate a sewage disposal system. Residents within the Authority's boundaries are charged user fees which are collected by a third party (independent water company) and remitted to the Authority. The financial information related to TLASA is available at the Sewer Authority building in Lake Linden, Michigan.

Required Supplementary Information

SCHOOLCRAFT TOWNSHIP, MICHIGAN**Budgetary Comparison Schedule – Modified Cash Basis
General Fund
Year Ended March 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
Beginning Budgetary Fund Balance	\$ 100,052	\$ 100,052	\$ 100,052
Resources (Inflows):			
Taxes	44,247	44,247	44,110
Licenses & permits	2,000	2,000	1,103
Intergovernmental – State	55,500	55,500	56,738
Charges for services	7,400	7,400	8,119
Investment earnings	3,500	3,500	3,498
Rent	1,250	1,250	1,310
Other	<u>1,500</u>	<u>1,500</u>	<u>1,489</u>
Amounts Available for Appropriation	<u>215,449</u>	<u>215,449</u>	<u>216,419</u>
Charges to Appropriations (Outflows):			
General government	98,920	100,710	74,816
Public safety	7,250	7,250	4,500
Public works	18,050	19,000	7,013
Recreation & culture	5,100	9,900	4,436
Other	13,725	11,150	9,063
Transfers out	<u>250</u>	<u>250</u>	<u>250</u>
Total Charges to Appropriations	<u>143,295</u>	<u>148,260</u>	<u>100,078</u>
Ending Budgetary Fund Balance	<u>\$ 72,154</u>	<u>\$ 67,189</u>	<u>\$ 116,341</u>

SCHOOLCRAFT TOWNSHIP, MICHIGAN

**Budgetary Comparison Schedule – Modified Cash Basis
Cemetery Operating Fund
Year ended March 31, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 12,483	\$ 12,483	\$ 12,483
Resources (Inflows):			
Charges for services	15,800	16,260	15,177
Investment earnings	100	350	388
Transfers in	<u>9,000</u>	<u>8,000</u>	<u>8,191</u>
Amounts Available for Appropriation	37,383	37,093	36,239
Charges to Appropriations (Outflows):			
Cemetery	<u>26,225</u>	<u>24,975</u>	<u>21,987</u>
Ending Budgetary Fund Balance	<u>\$ 11,158</u>	<u>\$ 12,118</u>	<u>\$ 14,252</u>

SCHOOLCRAFT TOWNSHIP, MICHIGAN

**Budgetary Comparison Schedule – Modified Cash Basis
Garbage Receiving Fund
Year ended March 31, 2008**

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning Budgetary Fund Balance	\$ 57,109	\$ 57,109	\$ 57,109
Resources (Inflows):			
Charges for services	69,150	69,150	58,041
Investment earnings	<u>1,500</u>	<u>1,900</u>	<u>1,876</u>
Amounts Available for Appropriation	127,759	128,159	117,026
Charges to Appropriations (Outflows):			
Public works	<u>59,900</u>	<u>60,700</u>	<u>51,608</u>
Ending Budgetary Fund Balance	<u>\$ 67,859</u>	<u>\$ 67,459</u>	<u>\$ 65,418</u>

Other Supplementary Information

SCHOOLCRAFT TOWNSHIP, MICHIGAN

**Combining Statement of Net Assets – Modified Cash Basis
Fiduciary Funds
March 31, 2008**

	<u>Agency Funds</u>		
	<u>Current Tax</u>	<u>Delinquent Tax</u>	
	<u>Account</u>	<u>Account</u>	<u>Total</u>
Assets			
Cash	<u>\$ 9,097</u>	<u>\$ 85</u>	<u>\$ 9,182</u>
 Liabilities			
Intergovernmental payable	<u>\$ 9,097</u>	<u>\$ 85</u>	<u>\$ 9,182</u>

To the Township Board
Schoolcraft Township, Michigan

In planning and performing my audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Schoolcraft Township, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Schoolcraft Township, Michigan's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

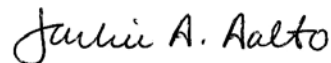
1. The Township does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures. Due principally to the small size of the Township and the limited funds available to the Township, the hiring of accounting personnel capable of writing the Township's financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America is cost prohibitive.
2. Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel. As noted above, due to the small size of the Township and the limited funds of the Township, management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the Township's assets. To the extent possible, duties should be allocated between accounting personnel to mitigate risk of material misappropriation of assets. I recommend that the Township Board assume a higher level of oversight responsibilities to mitigate risks related to this lack of segregation of duties.

Certain other matters related to operational or administrative efficiencies and improvements to internal controls are following.

3. At March 31, 2008 the Township's primary government had \$212,519 in deposits, of which \$22,026 was uninsured. I recommend that the Township review its investment policy and procedures to determine if there could be alternative investment strategies that would yield higher investment returns and also allow for FDIC protection.
4. Currently, the Township does not annually authorize check signers. A current listing of authorized check signers, which is approved annually by the Township Board, should be maintained to ensure proper authorization of all disbursements. I recommend the listing be periodically reviewed and updated each time a change in check signers occurs and that the bank be promptly and formally notified of any change.
5. I recommend that the Township Board annually update all contracts.
6. I recommend that computer files be backed up at least weekly, be properly labeled and be stored off premises in a fireproof vault to ensure safe storage of computer information.

This communication is intended solely for the information and use of the board membership, management, federal and state awarding agencies, and if applicable, pass-through entities, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to thank the Township personnel for their courtesy and assistance during the audit. I appreciate the opportunity to serve as your auditor. If there are any questions about your financial report or the above comments and recommendations, I would be happy to discuss them at your convenience.



Jackie A. Aalto, CPA

September 19, 2008